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Security Council

Sixty-second year

Provisional

5808th meeting

Tuesday, 18 December 2007, 4.25 p.m.

New York

President:	Mr. Mantovani	(Italy)
Members:	Belgium	Mr. Verbeke
	China	Mr. Li Kexin
	Congo	Mr. Okio
	France	Mr. Ripert
	Ghana	Mr. Christian
	Indonesia	Mr. Natalegawa
	Panama	Mr. Arias
	Peru	Mr. Gallardo
	Qatar	Mr. M. Al-Ansari
	Russian Federation	Mr. Shcherbak
	Slovakia	Mr. Burian
	South Africa	Mr. Sangqu
	United Kingdom of Great Britain and Northern Ireland	Sir John Sawers
	United States of America	Mr. Khalilzad

Agenda

The situation concerning Iraq

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07-65065 (E)

The meeting was called to order at 4.25 p.m.

Adoption of the agenda

The agenda was adopted.

The situation concerning Iraq

The President: I should like to inform the Council that I have received a letter from the representative of Iraq, in which he requests to be invited to participate in the consideration of the item on the Council's agenda. In conformity with the usual practice, I propose, with the consent of the Council, to invite that representative to participate in the consideration of the item, without the right to vote, in accordance with the relevant provisions of the Charter and rule 37 of the Council's provisional rules of procedure.

There being no objection, it is so decided.

At the invitation of the President, Mr. Al Bayati (Iraq) took a seat at the Council table.

The President: In accordance with the understanding reached in the Council's prior consultations, I shall take it that the Security Council agrees to extend an invitation under rule 39 of its provisional rules of procedure to Mr. Warren Sach, Assistant Secretary-General, Controller.

It is so decided.

The Security Council will now begin its consideration of the item on its agenda. The Council is meeting in accordance with the understanding reached in its prior consultations.

Members of the Council have before them document S/2007/738, which contains the text of a draft resolution submitted by Slovakia, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

At this meeting, the Security Council will hear a briefing by Mr. Warren Sach, Assistant Secretary-General, Controller. I now give the floor to Mr. Sach.

Mr. Sach: Mr. President, as the Secretary-General's designated representative on the International Advisory and Monitoring Board (IAMB), I should like to thank you for the opportunity to brief the Council on the work of the Board.

The IAMB, as the audit oversight body for the Development Fund for Iraq (DFI), was established to fulfil the mandate set forth in Security Council resolution 1483 (2003). That mandate has subsequently been extended under resolutions 1546 (2004), 1637 (2005) and 1723 (2006).

The Development Fund for Iraq was also established pursuant to Security Council resolution 1483 (2003) and holds the proceeds of petroleum export sales from Iraq, as well as the transferred balances from the United Nations oil-for-food programme and other frozen Iraqi assets. From inception to 31 December 2006, the Board has been informed that about $70.4 billion has been deposited from the sale of oil and oil products. Another $10.2 billion has been deposited with DFI from the balance of the oil-for-food funds held under escrow by the United Nations, and a further $1.5 billion has been deposited as proceeds from frozen assets.

The Board helps to ensure that, first, the DFI is used in a transparent manner for the benefit of the people of Iraq and that, secondly, export sales of petroleum, petroleum products and natural gas from Iraq are made consistent with prevailing international market best practices.

The Board provides independent and international oversight of the operations of Iraqi oil export revenues and of the use of DFI resources. Thus, the Board functions as the audit oversight board for the DFI and has as its members representatives from the Arab Fund for Economic and Social Development, the International Monetary Fund, the Government of Iraq, the United Nations and the World Bank. The Board also involved the Iraqi Board of Supreme Audit in its work at an early stage to ensure continuity.

I now turn to the work of the Board. The Board has met 21 times since December 2003 and has approved the appointment by the Government of Iraq of independent public accountants as the external auditors. It has reviewed the periodic audit results and requested and approved special audits. The results of the Board's work are available on its website, *www.iamb.info*.

In terms of findings, the Board early on identified major issues in contracting practices and pointed towards the lack of oil metering as a key element with respect to the establishment of controls over oil revenues. The Board promoted the strengthening of

controls in Iraq over oil export revenues and their use and complemented the work of others, including the Board of Supreme Audit and the United States Special Inspector General for Iraq Reconstruction.

The IAMB has identified significant control weaknesses related to oil revenues. These have already been reported in previous reports and briefings, and they included weak controls in place over Iraq's oil export revenues and the spending ministries. The major issues reported include, first, the absence of oil metering. The Board recommended that a comprehensive oil metering system be installed to achieve financial transparency and accountability. The Government of Iraq has since installed some meters at some oil terminals, including the Basra oil export terminal, as part of the project to establish a countrywide metering system for the flow of oil, gas and fuel products. Overall progress has been slow, and there is still no comprehensive metering at oil fields, storage facilities or refineries.

The second major issue is the use of barter transactions. Barter transactions of oil for electricity with a neighbouring country were recorded by the State Oil Marketing Organization (SOMO) but were not accounted for in the DFI as required by Security Council resolution 1483 (2003). While some reduction in bartering occurred in 2004 following the allocation of Iraqi budget funds to import light petroleum products, SOMO continues to undertake barter transactions.

Thirdly, there are inadequate controls over expenditures. The external audit reports received by the IAMB were critical of the financial and accounting controls put in place by the spending ministries, as well as the United States agencies using DFI funds. While the Board welcomed steps already taken by the Government of Iraq, it remains concerned about significant unresolved control deficiencies.

Fourthly, some of Iraq's oil resources were not accounted for in the DFI and were smuggled. Without a comprehensive oil metering system, it is difficult to control smuggling. The Board has welcomed a number of controls that have been put in place and has called for the Government of Iraq to enhance these measures to curtail smuggling.

Fifthly, the Board objected to certain contractual practices using DFI funds. A series of special audits, commissioned at the request of the Board, revealed a number of exceptions from normal procurement procedures.

Sixthly, subsequently, other audit reports, including those produced by the Board of Supreme Audit, the United States Government Accountability Office and the United States Special Inspector General for Iraq Reconstruction, also pointed to similar weaknesses and confirmed the concerns expressed by the Board.

I now turn to the Committee of Financial Experts. The Iraqi Council of Ministers has established a Committee of Financial Experts to prepare for the time when the Board's functions will need to be undertaken solely by the Government of Iraq, upon the dissolution of the IAMB. The Committee has participated in the IAMB's activities and has worked alongside the Board to oversee the 2007 interim audit. The Committee has also participated in the two most recent meetings of the Board, held in June and November 2007.

With regard to the ongoing audits, the External Auditor is acting under the terms of reference agreed at the June 2007 meeting. Accordingly, it is anticipated that the Board will receive the results of the 2007 audit during the first half of 2008 and, at that time, will review the reports accordingly.

That completes my briefing. I will be happy to respond to any questions that members of the Council may have.

The President: I thank Mr. Sach for his briefing.

I shall now give the floor to members of the Council.

Mr. Shcherbak (Russian Federation) (*spoke in Russian*): We wish to thank Assistant Secretary-General Sach for his briefing, which highlighted various aspects of the workings of the Development Fund for Iraq (DFI) and of the International Advisory and Monitoring Board (IAMB), of which he is a member. We believe that the briefing was extremely useful because of the transparency of the process. The Russian delegation supports the conclusions and recommendations presented by Mr. Sach, particularly with regard to improving the effectiveness of the verification process.

As for the briefing by the representative of the Secretary-General, we have some brief comments to make and one wish to express.

As members are aware, the Secretary-General, in accordance with a decision taken by the Security Council, must submit to the Council regular reports by his representative to the IAMB. We wish to recall that the last such document was received in June 2006. We note that the DFI and the IAMB were not officially established by the Security Council. Paragraph 12 of resolution 1483 (2003) states that the Council notes the establishment of the Fund and looks forward to the early meeting of the International Advisory and Monitoring Board. The Board, in turn, must facilitate the implementation of resolution 1483 (2003). It proceeds from that logic that United Nations Member States are entitled to receive reports about the activities of the financial structures facilitating the implementation of important Security Council decisions.

Now to our wish. During the discussions in preparing the resolution to extend the mandates of the multinational force, the DFI and the IAMB, a number of delegations referred to the possibility of organizing, in the near future, a briefing on DFI activities in Washington, at the headquarters of the International Monetary Fund, which currently chairs the Board. We believe that that sort of idea could be useful, particularly in terms of the transparency of the process. Such a briefing could be held for representatives of embassies of Security Council member States in Washington. Russia is interested in organizing such a meeting. If there are no objections from our Council colleagues, we wish to propose to Mr. Sach that he represent the United Nations in the IAMB and that he take the steps necessary to organize such a briefing at the beginning of next year.

The President: It is my understanding that the Council is ready to proceed to the vote on the draft resolution before it. Unless I hear any objection, I shall now put the draft resolution to the vote.

There being no objection, it is so decided.

A vote was taken by show of hands.

In favour:

Belgium, China, Congo, France, Ghana, Indonesia, Italy, Panama, Peru, Qatar, Russian Federation, Slovakia, South Africa, United Kingdom of Great Britain and Northern Ireland, United States of America.

The President: There were 15 votes in favour. The draft resolution has been adopted unanimously as resolution 1790 (2007).

I now give the floor to those Council members who wish to make statements following the voting.

Mr. Khalilzad (United States of America): The United States welcomes the adoption of this resolution to extend through 2008 the authorities for the multinational force — Iraq (MNF-I), the Development Fund for Iraq (DFI) and the International Advisory and Monitoring Board (IAMB).

During the past year, there have been significant and positive developments in Iraq. Iraqis should be proud of their efforts, which have resulted in decreased violence, improved essential services and greater engagement with the Middle East region and the world.

We are pleased that the Council has chosen today to support the request of the Government of Iraq to sustain that momentum and to extend those mandates. This vote complements the decision taken by the Council last August to expand the mandate of the United Nations Assistance Mission for Iraq and the launching of the International Compact with Iraq last May in Sharm el-Sheikh. Together, those actions signal that the international community recognizes that what happens in Iraq has profound consequences for us all and that the Iraqis' striving to establish a stable, peaceful and prosperous democracy merits our continued support. They also signal the progress that the Iraqi people and Government have made on the path towards economic and security self-reliance. I call on the Iraqi leaders to make similar progress with regard to national reconciliation.

The Government of the United States is proud of its role in helping Iraq combat the challenges of terrorism and other violent acts besetting the country. We believe that the extension of these Council mandates is critical, as these authorities provide a framework for the international community to sustain its support for the people and the Government of Iraq as they work to consolidate and extend the gains made this year. In particular, this resolution will enable the MNF-I to continue to participate in the maintenance of security and stability in Iraq; it will enable the DFI to continue to ensure that the Government's revenues are used for the benefit of the Iraqi people; and it will enable the IAMB to continue to provide critical oversight, advisory and monitoring functions.

In conclusion, I should like to restate the commitment of the United States to work in collaboration with the Government of Iraq in order to help Iraq achieve the objectives that it has set for itself as an independent and sovereign State.

Sir John Sawers (United Kingdom): The resolution that we have adopted today is a unanimous response by the Security Council to a request from the Government of Iraq. The resolution recognizes the Iraqi request to retain the presence of the multinational force (MNF) in Iraq and extends for 12 months that force's mandate on the terms set out in resolution 1546 (2004), as well as the arrangements for the Development Fund for Iraq and the International Advisory and Monitoring Board. The resolution comes with the assurance that the Iraqi Government may, at any time, seek a review of the arrangements or, indeed, the termination of the MNF's mandate.

The United Kingdom will continue working in close partnership with the Iraqi Government, both bilaterally and as a contributor to the multinational forces.

On 16 December, last Sunday, security responsibility for Basra province passed from the MNF-I to Iraqi control. Basra was the last of the four southern provinces of Iraq previously under the security control of the United Kingdom-led Multinational Division South-East and the Iraqi authorities now have security responsibility and control in nine out of Iraq's 18 provinces.

Handing back lead responsibility for security in Basra to the Iraqi Government is not the end of the United Kingdom's involvement in Iraq or in the south. We are determined to fulfil our obligations and commitments to the Government and the people of Iraq. United Kingdom forces will continue to operate in an overwatch capacity, providing training, mentoring and advice into the future, retaining the capability to re-intervene in support of the Iraqi security forces, if required. We will take a decision in spring of next year on the next phase of our military presence.

As security continues to improve, we are continuing our efforts to promote effective economic governance in the south and are stepping up our work to support investment and business activity.

The President: I now give the floor to the representative of Iraq.

Mr. Al Bayati (Iraq): Mr. President, allow me at the outset to congratulate you for assuming the presidency of the Council for this month and to thank your predecessor, the Permanent Representative of Indonesia, for his successful presidency last month. I would also like to express my gratitude to the non-permanent members of the Security Council whose membership concludes at the end of this month, and to congratulate the new members of the Council, wishing them every success in their work in the Council.

It is an honour for me to address the Council on this historic day, as it adopts, upon the request of my Government, the resolution for the extension of the mandate of the multinational forces in Iraq for the last time.

The last few months have been a decisive test for the commitment and courage of the Government and the people of Iraq in their efforts to establish a stable democratic system in an exceptionally difficult environment. Iraq has completed the establishment of its constitutional and legal institutions and now possesses a permanent constitution, voted upon by the people of Iraq, a parliament representing all different social segments of society and a national unity Government consisting of all political parties.

The Government of Iraq has made enormous strides towards the day when a self-sustaining Iraqi security force would be able to provide security to the Iraqi people. While Iraqis remain grateful to all friendly countries that assisted in the liberation of Iraq from the previous tyrant and dictator, Saddam Hussein, no Iraqi Government official — indeed, no Iraqi citizen — wants the presence of foreign troops on Iraqi soil one day longer than they are needed. The presence of the multinational forces in Iraq today, and for the coming year, is essential to accomplish the mission they started when Iraq was liberated.

It is also necessary to mention here what was accomplished on 16 December 2007, namely, the handover of security responsibility to the Iraqi Government in Basra province, the second largest in Iraq and the ninth province to be handed over to the Iraqi Government by the multinational forces. This handover is a positive indication that the Iraqi forces are capable of assuming control over the important city of Basra.

I would like to concentrate on the main challenges facing Iraq. One such challenge is terrorism,

which is placing a heavy burden on the Government and the people of Iraq. The security plans carried out by the Iraqi army and the national security forces with the assistance of the multinational forces have contributed to surrounding the terrorists in isolated pockets in Iraq. The remnants of Al-Qaida along with their allies have suffered continued defeats, which is clearly reflected in a tangibly improved security situation in Iraq and a decline in the levels and number of terrorist activities, together with a reduction in the threat of civil war in the country.

We look forward to Iraq's playing an active role in achieving stability and security in the Middle East. Iraq aspires to become an arena where all parties can engage in dialogue rather than a region for settling issues. Towards that end, we initiated the neighbouring countries' meeting and hosted the American-Iranian dialogue in Baghdad.

The Government of Iraq has also signed a declaration of principles with the United States with a view to establishing a long-term cooperative and friendly relationship between the two countries. Establishing stability and security in Iraq reflects positively on the security and stability of the whole region and will contribute to the enhancement of international peace and stability.

The Government of Iraq continues its efforts to achieve national reconciliation, ensure expanded political participation of all national political forces, guarantee respect for human rights and the supremacy of law, achieve economic growth, and provide basic services for the Iraqi people. The Iraqi Government is working towards the adoption of ambitious plans to rebuild its economy on a sound and modern basis, which would enable the Iraqi economy to contribute effectively to the international economy.

Towards that end, the Iraqi Government, in partnership with the United Nations, is working to implement the initiative of the International Compact with Iraq, which is contributing to the enhancement and strengthening of national and international counter-obligations in the political and economic fields and in the areas of the rule of law, the promotion and protection of human rights and the establishment of democracy.

The continued efforts of the Iraqi Government have resulted in activating a national dialogue and reconciliation process and in disseminating tolerance, moderation and brotherhood. The Government also succeeded in preventing a sectarian war which had threatened the whole country. It has supervised a number of conferences to promote national reconciliation, including conferences of Iraqi tribes, political forces, civil society organizations, intellectuals and army officers, in addition to conferences held outside Iraq.

The Government has also sent delegations to meet with political figures and parties in several countries in the region. Among the main results of the national reconciliation process is the openness and cooperation with Iraqi tribes which has had a positive influence in eliminating terrorist organizations and in restoring Government control and the rule of law. The provincial support councils, which emerged from the national reconciliation process, are a pioneering exercise in combating terrorism and a reflection of the Government's strategy of not relying solely on the military option in the handling the security situation.

The Government also succeeded in recruiting 350,000 volunteers in the army and security forces in Iraq. It has also made progress in training and equipping those forces and has recruited 27,500 tribal members to combat Al-Qaida fighters. Members of a number of factions that have split from Al-Qaida in Baghdad and served other provinces and that have joined training centres total more than 14,178 individuals. The Iraqi Government has also reintegrated 73,622 officers and soldiers from previously dismantled ministries into different Iraqi ministries, in addition to reintegrating 21,893 officers and soldiers into the military services. It has also re-employed 2,586 members of the previous security institutions into the new Ministry of Interior.

It should also be mentioned that the joint efforts of the Iraqi and multinational forces over the last few months have resulted in the return of 6,000 displaced families to their homes. The joint efforts between the forces have also resulted in the killing and detention of the main leadership of Al-Qaida, the takeover of thousands of weapons and ammunition depots, the ending of sectarian killing and forced displacement all over Iraq, the reduction of violence in Baghdad and other provinces by more than 75 per cent, and the tracking down of militias and all other outlaws. In addition, the capacity and capability of the Iraqi army and police have increased with respect to numbers and equipment through the efforts of the Ministries of Interior and Defence.

Despite the apparent improvement in the security situation, we realize that Iraq needs still more time and

continued intensive efforts to enable our armed forces to take over the security responsibilities from the multinational forces in all of the country, as they continue to play a very important role in supporting and backing our troops in combating terrorism, militias and outlaws.

My Government, while reaffirming the importance of the role of the multinational forces, alongside our national forces, in contributing to the efforts to establish security and the rule of law, requests that the Security Council consider extending the mandate of the multinational force in the light of Iraq's achievements over the past few years, namely the strengthened capacity of its army and security forces and significant successes in the security, political and economic spheres. This progress calls for a review of the role and authority of the MNF in order to strike a balance between the need to extend the mandate of the force one last time and the progress made by Iraq in the area of security. It is also essential for the Iraqi Government to be treated as that of an independent and fully sovereign State.

My Government would also like to emphasize that it welcomes today's resolution on the understanding that the functions of recruiting, training, arming and equipping the Iraqi army and Iraq's security forces are the responsibility of the Iraqi Government. The Government would also assume responsibility for command and control of all Iraqi forces; the MNF, in coordination with the Iraqi Government, would provide support and backing to those forces. The Iraqi Government would also be responsible for arrest, detention and imprisonment tasks; when those tasks are carried out by the MNF, there will be maximum levels of coordination, cooperation and understanding with the Iraqi Government.

We welcome this resolution on the understanding that it is the final extension of the mandate of the MNF and expect that, in future, the Security Council will be able to deal with the situation in Iraq without the need for action under Chapter VII of the Charter of the United Nations. My Government also welcomes the reflection in the resolution of its request to include language reaffirming respect for the independence, sovereignty, unity and territorial integrity of Iraq and reaffirming further the importance of the principle of non-interference in the internal affairs of Iraq.

We believe that the provisions of resolution 1546 (2004) on the deposit of proceeds into the Development Fund for Iraq (DFI) will help to ensure that proceeds from Iraq's natural resources are used to serve the interests of the Iraqi people. The role played by the International Advisory and Monitoring Board serves the same purpose. We recognize that the DFI plays an important role in helping Iraq to convince donors and creditors that it is managing its resources and debts in a reasonable way, in the interest of the Iraqi people. Towards that end, the Government of Iraq has requested the Security Council to continue to apply the provisions of paragraph 22 of resolution 1483 (2003) until 31 December 2008, including in respect of the funds, financial assets, and economic resources described in paragraph 23 of resolution 1483 (2003).

Before concluding, I would like to stress that for Iraq to achieve its goals, development programmes and reconstruction, Iraq must be capable of advancing itself; it should release itself from the legacy of the former regime and be liberated from its financial burdens. Iraq is still suffering from the heavy burden of compensation for the invasion of Kuwait by the Saddam regime, and it remains in need of the support of the international community and donor countries. Iraq has paid large sums, which add up to more than $22 billion — and it continues to pay.

In this regard, I would like to highlight the letter of the Prime Minister annexed to the resolution, in which he requested the Security Council to review its resolutions relating to the deposit of 5 per cent of Iraq's proceeds from oil into the Compensation Fund with a view to reducing that percentage as much as possible. The deposit of such a high percentage creates a financial burden for the Iraqi people at a time when it is in dire need of those funds to rebuild its infrastructure. Furthermore, the increase in oil prices means that the real amount represented by that 5 per cent is at least five times what it was.

Finally, allow me to express our gratitude and appreciation to all members of the Security Council, to the United Nations and to all friendly and brotherly countries who have assisted the Government and the people of Iraq in ending long decades of dictatorship and injustice and in building a democratic, federal and prosperous Iraq in which generations will enjoy the fruits of security, stability and prosperity.

The President: There are no further speakers inscribed on my list. Security Council has thus concluded the present stage of its consideration of the item on its agenda.

The meeting rose at 5 p.m.